UNITED STATES
INTERNATIONAL TRADE COMMISSION

In the Matter of:)
) Investigation No.:
CERTAIN POLYESTER STAPLE) 731-TA-1104
FIBER FROM CHINA) (Preliminary)

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Friday,
July 14, 2006

Room No. 101
U.S. International
Trade Commission
500 E Street, S.W.
Washington, D.C.

The preliminary conference commenced, pursuant to notice, at 9:30 a.m., at the United States International Trade Commission, ROBERT CARPENTER, Director of Investigations, presiding.

APPEARANCES:

On behalf of the International Trade Commission:

Staff:

ROBERT CARPENTER, DIRECTOR OF INVESTIGATIONS
DIANE MAZUR, SUPERVISORY INVESTIGATOR
JEREMY WISE, INVESTIGATOR
CHARLES ST. CHARLES, ATTORNEY ADVISOR
JOHN BENEDETTO, ECONOMIST
CHARLES YOST, AUDITOR
JEFF CLERK, INDUSTRY ANALYST

APPEARANCES: (cont'd.)

In Support of the Imposition of Antidumping Duties:

On behalf of DAK Americas LLC, Nan Ya Plastics Corp. America and Wellman Inc.:

JON MCNAULL, Fibers Business Director, DAK Americas LLC
RICKY LANE, DAK Americas LLC
SCOTT BARFIELD, Senior Account Manager, Nan Ya Plastics Corp.
MICHAEL BERMISH, Director, Investor Relations, Wellman Inc.
PATRICK MAGRATH, Director, Georgetown Economic Services
GINA BECK, Economist, Georgetown Economic Services

PAUL C. ROSENTHAL, Esquire
KATHLEEN W. CANNON, Esquire
DAVID C. SMITH, JR., Esquire
Kelley Drye Collier Shannon
Washington, D.C.

In Opposition to the Imposition of Antidumping Duties:

On behalf of Cixi Jiangnan Chemical Fiber Co., Ltd., Jiaxing Fuda Chemical Fiber Co., Ltd., Ningbo Dafa Chemical Co., Ltd. and Xiamen Xianglu Chemical Fiber Co., Ltd.:

NED H. MARSHAK, Esquire
PAUL FIGUEROA, Esquire
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Washington, D.C.

I N D E X

P R O C E E D I N G S

(9:30 a.m.)

MR. CARPENTER: Good morning and welcome to the United States International Trade Commission's conference in connection with the preliminary phase of antidumping investigation No. 731-TA-1104 concerning imports of Polyester Staple Fiber From China.

My name is Robert Carpenter. I'm the Commission's Director of Investigations, and I will preside at this conference. Among those present from the Commission staff are, from my far right, Diane Mazur, the supervisory investigator; Jeremy Wise, the investigator; on my left, Charles St. Charles, the attorney advisor; John Benedetto, the economist; Charles Yost, the auditor; and Jeff Clark, the industry analyst.

I'd also like to introduce two of our interns who have been working extensively on this case, Jason Pau from the Office of Investigations and Ioana Mic from the Office of Economics, sitting over there at the staff table.

I understand the parties are aware of the time allocations. I would remind speakers not to refer in your remarks to business proprietary information and to speak directly into the microphones. We also ask you to state your name and affiliation for the record before beginning your presentation.

Are there any questions?

(No response.)

MR. CARPENTER: If not, welcome, Mr. Rosenthal. Please proceed with your opening statement.

MR. ROSENTHAL: Thank you. Good morning, Mr. Carpenter and members of the Commission staff. I'm Paul Rosenthal of the law firm Kelly Drye Collier Shannon.

It's rare that an attorney gets to testify before the Commission twice in six months on behalf of the same industry. In fact, given the dearth of antidumping cases lately I guess it's rare to have attorneys before the Commission at all these days, but my goal or my hope is that while a lack of attorney appearances may be regarded as a mixed blessing, my goal is still that the antidumping law, Title VII, won't be listed on the endangered species list any time soon. I expect you'll see more of us in the coming months.

In January of this year I did testify before the Commission, along with members of the domestic polyester staple fiber industry, in an attempt to prevent the revocation of antidumping duty orders on imports of certain PSF or polyester staple fiber from Korea and Taiwan.

Even though China was not subject to that investigation, the impact of China on this market figured prominently in the testimony in that case and in the Commission's analysis and determination. Despite a unanimous Commission decision that revocation of the orders against Korea and Taiwan would cause material injury to continue or recur, maintaining those orders has not been sufficient to prevent the domestic industry from suffering injury from a new source of imports -- China.

The testimony you will hear today and the record you are developing will show the following: The surge in imports from China has been staggering. Within a very short period of time, China has become the largest source of PSF imports in the U.S. market. Imports from China have increased since the beginning of the period of investigation. The growth in China's imports over one year in the period from 2004 to 2005 was an estimated 173 percent.

China more than doubled its market share over this one year period at the direct expense of the

U.S. industry, and in interim 2006 imports from China have continued to surge, increasing by an additional 97 percent from the high 2005 levels.

The growth in imports from China, like those from Korea and Taiwan, has been accomplished by unfairly low prices that undercut U.S. producer prices. At a time of significant cost increases experienced by the domestic industry over the past few years, it is particularly difficult to compete against unfairly priced competition.

The domestic PSF industry has reacted to this competition in two ways, both of which are clearly apparent in the record data. Last year, as imports surged domestic producers attempted to increase prices to cover the ever-increasing cost, given that the prior two years of operating losses had been extensive.

These price increases, however, came at the direct expense of a loss of substantial market share to subject imports in 2005, and even then the industry was barely able to achieve break even profits.

In an effort to maintain customers, by 2006 the industry could not raise prices to cover increased costs and again resulted in a rising tide of red ink. The meager profits earned in 2005 dropped quickly in interim 2006 to operating losses. To make matters worse, the domestic industry's market share continued to fall in interim 2006, while China's market share increased even further.

There's no end in sight. China has rapidly increased production of PSF in recent years, and further capacity expansions are projected in the near future even though capacity in China already exceeds demand. In addition, Chinese PSF is subject to antidumping restraints in one of its other major markets, the EU.

Under these facts, imports from China will continue to grow, devastating an already vulnerable U.S. industry. Continued high levels of Chinese imports at low prices will lead to further shutdowns and layoffs at an already vulnerable domestic industry.

If we're not able to obtain relief from dumped Chinese imports here, I very much fear that this may be the last time this industry appears before the Commission. Thank you.

MR. CARPENTER: Thank you, Mr. Rosenthal.

Mr. Marshak?

MR. MARSHAK: Good morning. I'm Ned Marshak.

MR. CARPENTER: Excuse me. Could you turn on the microphone please and begin again?

MR. MARSHAK: Okay. I'm sorry.

MR. CARPENTER: Thank you.

MR. MARSHAK: I'll start again. Good morning. I'm Ned Marshak of Grunfeld, Desiderio, Lebowitz, Silverman & Klestadt, LLP. I appear here today with Paul Figueroa on behalf of Chinese Respondents.

Our presentation will be very brief. The Commission and its staff have just recently examined conditions of competition in the polyester staple fiber industry through September 2005, and data for the next six months, October 2005 through March 2006, is confidential.

We believe that this data will confirm that there is no correlation between the admittedly significant increase in Chinese exports to the United States and any difficulties which the domestic industry currently is experiencing.

We also believe there is no threat. The fact that the recent increase in Chinese imports did not injure the domestic industry constitutes substantial evidence that the Chinese do not pose a threat to the industry in the future.

Chinese producers thank the Commission for allowing us the opportunity to present our views. We trust you recognize the difficulties this industry has in presenting a complete defense to Petitioners' allegations in the very short period of time in this preliminary investigation.

We will do our best to provide the Commission staff with any additional information you request. Thank you.

MR. CARPENTER: Thank you, Mr. Marshak.

Mr. Rosenthal, you can bring your panel up at this point.

MR. ROSENTHAL: Good morning again. We have several industry witnesses here, and I want to get to their testimony very promptly, but I just want to mention that accompanying me this morning are my colleagues, Kathleen Cannon and David Smith of the law firm, and Pat Magrath and Gina Beck from Georgetown Economic Services. You'll be hearing from Dr. Magrath at great, if not excruciating, length later this morning.

Our first witness this morning will be John McNaull.

MR. MCNAULL: Good morning. My name is John McNaull. I'm going to be representing DAK Americas

LLC. I'm the fibers business director for that company.

Good morning, Mr. Carpenter and Commission staff. Again, John McNaull representing DAK Americas. I've been in the polyester staple fiber business for approximately 13 years working in every aspect of the business.

My responsibilities have included work as an engineer in the manufacturing process, at technical marketing, which is servicing our customers, sales and supply chain management before assuming the role of the fibers business director in May 2005.

I appeared before the Commission earlier this year in the sunset review of polyester staple fiber cases involving Korea and Taiwan. In discussing our concerns with revocation of the orders against Korea and Taiwan at that time I mentioned the rapid increases we had seen in Chinese imports and identified China as one of DAK's key competitive problems.

Unfortunately, that situation has only gotten worse following my testimony this past January, causing us to file this case to seek relief from dumped imports from China.

I would like to describe for you today some key events that have transpired over the past three years and into this year both at DAK and our industry overall. DAK has had a number of organizational changes over the period of investigation, cumulating in the closure of a facility of our affiliated company, Polykron, which is the polyester staple facility located in Mexico, in July of 2005 in an attempt to rebalance and improve capacity utilization in our U.S. facilities. Before its closure, Polykron also produced certain polyester staple fiber.

One key factor that's taken place over the past few years that's important to the ITC analysis has been the steady and significant increases in the cost of producing our product. In addition to the raw material cost increases that Mr. Bermish described, although he hasn't described that yet -- I guess we'll get to that -- substantial increases have occurred in energy costs in recent years.

The production of polyester staple fiber is an energy intensive business, so these cost increases are also a significant factor to consider in analyzing the market. The capital and energy intensive nature of the polyester staple business makes it important that polyester staple fiber producers maintain high operating rates to maximize efficiencies. If we cannot run these lines at optimal efficiency levels, significant costs are incurred, and shutdowns are often the only alternative.

One factor that has not been a problem for our industry in recent years, however, is demand. Unlike the general textile industry, demand for certain PSF has been strong in recent years. The industry's problem is not a lack of customers purchasing the product. The problem is the imports from China have captured an increasing share of U.S. demand, preventing us from benefitting from the healthy demand in our own market.

In describing recent events in our market, I should also mention the hurricanes that occurred in the fall of 2005. Immediately following Hurricanes Katrina and Rita, supplies of critical raw materials were tight and higher in price, leading to our temporary imposition of raw material surcharges.

There were also some limited interruptions to supply streams. DAK made every effort to minimize these disruptions, and supply to our customers was not affected. Importantly, this was a very short term phenomenon. In January of this year things were back to normal in terms of supply, and surcharges no longer applied to the industry.

Surging imports from China that have been observed in recent years, especially the first few months of this year, are not due to needs brought on by the hurricane. Important statistics indicate imports from China have increased dramatically even before the hurricanes occurred and have continued to surge in 2006, even though domestic polyester staple fiber producers have been able and willing to supply domestic purchasers' needs.

The increases in imports from China have been accompanied by China underselling. China sells polyester staple fiber at prices that force us to either lose sales and market share if we refuse to match the low prices or cut our prices to meet Chinese import prices and suffer the impact of financial decline. This problem is compounded by the continued cost increases we face.

When you look at our prices and see increases last year, recognize that those increases must be measured in comparison to our cost. Absolute price increases are meaningless if not compared to cost.

The key issue to domestic producers is the relationship between the two and the ability to maintain a reasonable margin of prices above cost. We have not been able to do that due to the dumped Chinese imports.

In the fiberfill market, the principal factor driving purchasing decisions is price. Customers are constantly comparing price, seeking to purchase from the lowest priced source. Chinese producers and importers have used low dumped prices to become the largest import supply source for PSF in our home market today, surpassing both Korea and Taiwan.

It is our firm belief that imports from China, if left unchecked, will cause a partial or complete shutdown of DAK's production capacity, as well as termination of employment for hundreds of workers. We simply cannot survive as an industry when we suffer continuous losses or only minimal profits and cede market share to unfair traded imports first from Korea and Taiwan and now from China.

We respectfully request the Commission find that imports from China are causing injury to our industry so that duties may be put in place to offset their unfair trading practice.

Thank you very much.

MR. ROSENTHAL: The next witness will be Michael Bermish from Wellman.

MR. BERMISH: Good morning. My name is

Michael Bermish, and I am Director of Strategic Planning, as well as the Investor Relations Officer, at Wellman, Inc. I have been with Wellman for 17 years and have been involved in the fibers business for 22 years.

Wellman is the largest U.S. producer of certain polyester staple fiber. We participated as Petitioners in the original investigation and in the recent sunset review of dumped imports of polyester staple fiber from Korea and Taiwan.

Although we were successful in obtaining orders against imports from these two countries and in keeping those orders in place during the sunset review, the successful outcome of that case has not permitted our industry to recover. The reason is surging volumes of dumped imports from China.

The rapidly increasing volumes of imports from China at low dumped prices have caused the domestic industry, including Wellman, to lose sales, to reduce prices and to suffer financially in an effort to compete with unfairly traded imports.

Because the Commission recently conducted the sunset review of the Korean and Taiwanese orders, I know you are generally familiar with our product and our market. Let me review some key issues that were examined in that earlier case that apply as well here, in addition to providing you with some updates and specifics as to China.

In terms of the products, certain polyester staple fiber is a fairly basic product used primarily as fiber for fill in furniture, bedding and sleeping bags, among other things. Whether imported from China or produced in the United States, polyester staple fiber has the same physical characteristics and end uses and competes directly for sales.

It also does not matter whether the fiber is made from virgin raw materials or from recycled raw materials. Wellman produces products from both types of inputs, and customers do not request a product based on the input needed.

Major virgin inputs to our production of polyester staple fiber are PTA, purified terephthalate acid, and MEG, monoethylene glycol. Raw material inputs for non-virgin staple fiber include fiber waste, filament waste, popcorn chips, recycled PET bottles, polyester lumps and off-grade chip. Where non-virgin inputs are concerned, the Commission should recognize that U.S. producers and Chinese producers use the same types of raw material inputs.

Indeed, Chinese producers of staple fiber have been purchasing large quantities of U.S. recycled PET bottles in recent years to use in making fiber for fill in China. The terms recycled and regenerated inputs are synonymous, as the Commission recognized in the Korea and Taiwanese case and recent sunset review.

Purchasers of polyester staple fiber examine physical characteristics such as denier, cross-section, fiber length, finish, the specifications listed on our invoices and on our packages. There is no indication of raw materials used.

While the raw materials used do not differentiate the end product or its use, they do affect the cost of the product. At Wellman, because we produce both virgin and non-virgin materials, we are well situated to optimize our costs if the input costs vary.

Over the past several years, however, the cost to produce staple fiber from both virgin and non-virgin material have increased substantially. Both the virgin raw material input costs, PTA and MEG, and the non-virgin input costs in the various recycled inputs have escalated. Rapidly rising energy costs also inflate total cost to producing polyester staple fiber, regardless of the inputs used.

These rapidly rising production costs,

coupled with an influx of low-priced imports, have placed the domestic industry is a cost/price squeeze. Although the industry has increased prices, the increased prices have not been sufficient to keep pace with the increased cost, hurting us financially. Increased prices are not a sign of health when they do not cover the increased cost or permit any reasonable profit earnings.

In this regard I should also mention price increase announcements. Price increase announcements were the subject of much discussion in the recent Korea/Taiwan sunset review. During the period of investigation there have been a number of price increase announcements by industry members, including Wellman, in response to these rising costs.

Two things are important to remember about these announcements, however. First, the price increase announcements are always followed by individual negotiations with each customer, so the announcement alone is not an indication of whether or the extent to which a price increase occurred in the market. At times, many of our customers simply have not agreed to accept the higher prices, so numerous price increases have been unsuccessful in the past.

Second, the price increase announcements in this industry are generally for all staple fiber products and not specific to subject polyester staple fiber. Increases may occur in prices of other staple fiber products that are very different from certain polyester staple fiber. The reason we are not able to increase price sufficiently on certain polyester staple fiber is the low prices and large volumes of dumped imports from China.

Based on the information available to us on China's capacity and production of certain polyester staple fiber, the problem is only going to get worse. We submitted data in confidence to the Commission in General Exhibit 2 to our petition identifying the many producers of polyester staple in China and the massive capacity levels of these producers. That exhibit also shows a forecast of future capacity, which is continuing to grow over the next few years.

Additional information that we will submit in our postconference brief shows that current and projected capacity levels far exceed demand for staple fiber in China. As a result, China has and will continue to rapidly increase its export of polyester staple fiber. The United States is a prime target market for these exports, all at the expense of U.S. producers like Wellman, which will be unable to supply our own market.

In the past several years, our industry has experienced a continuous struggle with unfairly traded imports. At Wellman, we undertook a number of cost cutting measures in the fall of 2003 in an attempt to be as competitive as possible with imports in the market.

Despite these measures, Wellman was forced to shut down just last year a substantial part of its Johnsonville facility producing certain polyester staple fiber. This shutdown included a significant workforce reduction. We hated to see these workers terminated, but we had no choice.

Due to import competition, we find ourselves in a constant battle between trying to maintain our sales at the risk of lowering prices and sacrificing profits or trying to maintain prices and profits at the risk of losing sales.

If you look at the industry trade and financial data over the past few years, you will see that we have lost market share in some years, seen our bottom line deteriorate in others and, most recently in 2006, suffered declines in both market share and in profits.

Wellman has stated publicly that if negative cash flow continues to this industry it may be forced to shut down the remaining capacity of certain polyester staple fiber operations at our Johnsonville facility. We are hoping that we are instead able to restore fair trade conditions to this market so that we can compete and not be forced to undertake further shutdowns.

Relief in the form of antidumping duties against imports from China is badly needed. Thank you very much.

MR. ROSENTHAL: Our next witness is Mr. Barfield.

MR. BARFIELD: Good morning, Mr. Carpenter and Commission staff. My name is Scott Barfield, and I'm a senior account manager with Nan Ya Plastics America, a subsidiary of Taiwan-based Nan Ya Plastics Corporation.

Nan Ya Plastics Corporation is a diversified producer of chemicals, plastics and electronics. I have been with Nan Ya for 13 years. My work experience there includes production, technical service and the last six years of sales. Nan Ya America is a Petitioner in this case and supports the imposition of antidumping duties on Chinese origin polyester staple fiber.

In recent years, rapidly escalating volumes of Chinese imports have severely affected Nan Ya, as well as the overall domestic industry, by driving down prices, taking over market share and causing significant financial injury to the industry.

To compete against cheaper Chinese imports, Nan Ya America has furiously lowered prices or forestalled or limited price increases to try to retain customers, but this has proven very difficult given the consistent increase in raw material costs.

Given our position as a subsidiary to a Taiwanese producer, the decision to launch a trade investigation against Chinese imports did not come lightly. We were, however, forced to act or see our market overrun and our future jeopardized. In May, Nan Ya America was forced to shut down its production line producing conjugant staple fiber, which had historically been one of Nan Ya's higher margin products.

Conjugate PSF has a three-dimensional spiral twist in the fiber designed to provide greater loft or fill capacity to the fiber. Non-conjugate fiber has a two-dimensional sawtooth crimp and provides somewhat lesser fill capacity.

Conjugate fiber is produced using a slightly more expensive production process involving two polyester polymer strings with differing viscosities. One polymer string cools slightly faster than the other, imparting the characteristic spiral twist to the fiber.

When ordering certain PSF, customers conduct a type of total cost analysis that compares the cost of the fiber against its fill capacity. Some customers for certain end use applications find that it is better to pay slightly more for the better fill capacity of conjugate fiber, but as a result will not need quite as much PSF for that end use.

Other customers may elect to pay a little less for mechanically crimped fibers with lesser fill power, while using slightly more PSF than in the application. Recently, however, imports of conjugate PSF from China have virtually eliminated any price premium for conjugate fiber.

As noted in the petition in Exhibit Injury 6, in May Nan Ya shut down its conjugate production line, which had been running at 50 percent of capacity, as a result of Chinese imports. Chinese conjugate PSF is made using the same production process that is used by Nan Ya and is of comparable quality.

Nevertheless, because of significantly lower prices from China, Nan Ya has had difficulty competing for sales of this product. Indeed, we include numerous examples of lost sales of conjugate PSF, as well as other types of PSF produced by Nan Ya, in the petition at Exhibit Injury 4.

This week, as a result of the filing of this trade case and renewed customer inquiries for Nan Ya's conjugate PSF, we restarted our conjugate production line. Nan Ya is familiar with the Chinese chemical fibers market generally as our parent company recently completed a polyester filament plant in Kunshan, China. That facility will produce only polyester filament, and the company has no immediate plans to produce other products, including certain PSF, at Kunshan.

Chinese production of certain PSF is massive and increasing rapidly. This is best evidenced by China's rapid rise as an import source. In fact, China didn't even begin importing material volumes of PSF to the United States until recently, yet is now the largest source supply of PSF imports.

Equally troubling is China's rapidly expanding capacity. Growth outstrips domestic demand in China, meaning that the excess capacity must be exported. The European Union, however, has imposed antidumping duties on Chinese PSF, foreclosing the European Union at least in part as a principal export market for Chinese PSF.

As a result, the United States remains the most logical export destination for excess Chinese supply. This will continue pricing pressures in the U.S. market, forcing U.S. producers to further cut prices to retain market share or cede customers to the Chinese producers.

As a result, market conditions for U.S. producers will continue to deteriorate without relief from unchecked Chinese imports of certain PSF. As noted, Nan Ya shut down its conjugate production line in May as a result of Chinese imports. Nan Ya America took this action to try to limit the negative financial consequences of running production equipment at such low and unprofitable capacity levels.

We are pleased that we have been able to restart conjugate production as a result of the filing of this case and renewed customer interest. If, however, the influx of low-priced Chinese imports is not dealt with Nan Ya faces a certain prospect of permanently closing this and other production lines.

We ask that this Commission come to the aid of the domestic industry and find that the domestic industry is injured by reason of Chinese imports and certain PSF.

Thank you.

MR. ROSENTHAL: Thank you, Mr. Barfield.

Kathleen Cannon will discuss the legal issues in this case.

MS. CANNON: Good morning. I'm Kathleen Cannon of Kelley Drye Collier Shannon. On behalf of Petitioners, I'd like to briefly address a few legal issues presented by this case.

Fortunately, this investigation follows Commission determinations issued in both an investigation and a sunset review of polyester staple fiber from Korea and Taiwan, so many issues that might otherwise be subject to lengthy debate have been decided by the Commission in that earlier case.

Because the facts and the market conditions observed by the Commission in the Korea/Taiwan case remain true today, the same basic conclusions continue to apply.

First, like product. In the original investigation of polyester staple fiber from Korea and Taiwan, the Commission found two separate like products consisting of certain PSF and low melt PSF because the scope of that case included low melt PSF. The scope of this case, by contrast, is limited to certain PSF and does not include low melt.

For all of the reasons the Commission identified in defining certain PSF as the like product in those earlier investigations and in the sunset review and in the absence of any real change in the product or market that would warrant a different conclusion, the Commission should define the like product as co-extensive with the scope of this case, certain PSF.

Second, the domestic industry. Based on the like product definition, the domestic industry should be defined as all U.S. producers of certain PSF, the definition also adopted by the Commission in the earlier case.

At this time we see no reason to exclude any U.S. producer under the related party provision based on either a relationship or importation. We will examine this issue further in light of some of the proprietary information we've received and address it if appropriate in our postconference brief.

Third, negligibility. Imports from China far surpass the three percent statutory negligibility level. The petition presented data for the most recent 12 month period that was available at that time, which was May 2005 through April 2006, at which point imports from China accounted for 38.7 percent of all imports.

We've recently received updated data for May 2006, and based on that updated June 2005 through May 2006 period imports from China now account for 39 percent of all imports, well beyond the statutory threshold.

Fourth, causation. The recent decision by the Federal Circuit in the Bratsk case has prompted further scrutiny of whether the injury observed is by reason of subject imports as opposed to non-subject imports. The Court in that case also discussed whether non-subject imports might replace subject imports, thereby denying the U.S. industry of the benefit of an order.

We disagree with the Court's holding in Bratsk to the extent that it suggests any additional inquiry as to import replacement or benefit is appropriate beyond the statutory prerequisites. We also note that the mandate in Bratsk has not yet issued because of the petitions for rehearing en banc that were filed by the Commission and by other parties in that case. Those are all still pending before the

Court.

In any event, the facts presented here are very different from those examined by the Bratsk Court and raise no similar causation issues. Specifically, in Bratsk the Court questioned whether other non-subject imports might be well positioned to fill any void left by subject imports if an order were to be imposed and continue to injure the U.S. industry.

The two other major sources of PSF imports to the United States here are Korea and Taiwan. Both of those countries are subject to preexisting outstanding antidumping duty orders to ensure fair trading practices and fair prices, providing a check on those imports, unlike the other imports examined in Bratsk.

Further, the volumes of imports of PSF from both Korea and Taiwan have declined over the period of investigation to levels below those of China. As indicated in our petition, major producers in both Korea and Taiwan have opened production facilities in China in an apparent attempt to avoid the duties the U.S. has imposed on imported PSF from Korea and Taiwan.

This shift and the increased volumes from China suggest that imports from Korea and Taiwan are not positioned to replace imports from China, but instead that imports from China are positioned to replace imports from other suppliers and then some. Under these facts, it is not likely that non-subject imports would replace subject imports and cause injury to the U.S. industry.

Instead, the facts of record here demonstrate, as Dr. Magrath will further discuss, that the domestic industry producing certain PSF has suffered material injury by reason of imports from China and would benefit from the imposition of an order to correct Chinese dumping practices irrespective of the presence of other imports in this market.

Thank you.

MR. ROSENTHAL: Thank you.

Dr. Magrath?

MR. MAGRATH: Thank you.

Good morning, members of the Commission staff, ladies and gentlemen. My name is Patrick Magrath, Georgetown Economic Services. Accompanying me is Gina Beck, also of Georgetown Economic Services. We are here this morning to discuss factors relating to injury, causation and threat.

This product and industry, as we have

emphasized, are not new to the Commission or to you, the staff members. In fact, it has only been four months since the Commission completed the sunset case on this same product and came to the conclusion that the industry was in a vulnerable condition.

In that very recent investigation, comprehensive data on the PSF industry was collected through the period of September 2005. In other words, 33 of the 39 months of this current investigation is overlapped by that sunset case. Although we are all cognizant of the somewhat different standards applied in sunset cases, the recent date of the sunset determination makes it particularly relevant to the analysis here.

In the recently concluded sunset case, the Commission identified a number of conditions of competition as pertinent to this analysis. These background factors certainly have not changed in the four months since the ITC made its sunset determinations.

Then the Commission described the demand conditions for PSF as "increasing as the strong housing market increased demand for furniture and bedding containing PSF and will" -- that is the market -- "remain robust in the foreseeable future."

The responses you have collected in this case will show a modest linear increase in consumption in each year, 2003 to 2005, and then a slight decline in interim 2006, January through March, but that decline is only from the record levels of 2005, so the market remains healthy.

Unfortunately, that health is in stark contrast to the U.S. industry, which suffered operating losses in 2003, 2004, a barely break even profitability in 2005, before dropping back into the red in the latest interim period, first quarter 2006.

As for the supply conditions found in the sunset case, we would note that U.S. producers in this period of investigation have continued to close down facilities, as you have heard from the witnesses this morning, and that industry capacity has continued to shrink. Despite that, there exists substantial unused capacity as reported by U.S. producers throughout the period of investigation.

Other conditions recognized by the Commission related to the supply in the U.S. market include the escalating costs in general of the petroleum-based raw materials and used plastic bottles in particular. The data collected here will show those unit raw material costs and total costs still increasing into 2006.

The cost increases again are the background factors, the supply factors. The real issue for producers is whether those increased costs can be passed on to the customers and some profitability achieved. This issue will be addressed later.

Finally, among the supply conditions noted in the sunset case the Commission determination noted that non-subject imports had doubled over the period of review. The Commission's own explanation for the startling increase in non-subject imports is worth quoting in its entirety. This is from the Commission determination four months ago.

"Most of the increase in non-subject import volume and market share over the POR is attributable to the emergence of China as the largest source of non-subject imported certain PSF. The share of non-subject imports comprised of Chinese certain PSF by volume increased from .7 percent in 2000 to 43 percent in 2004 and rose from 42 percent in interim 2004 to 60 percent in interim 2005. Among the major sources of non-subject imports, non-subject imports from China possessed among the lowest average unit values throughout the POR."

Well, now isn't that probative, as the

lawyers would say? Petitioners in this proceeding cannot make their central point any clearer than what the Commission said just four months ago. The reason we are here today is that non-subject imports, or at least a preponderance of them, have now become the subject imports, so let us turn to the issue of the volume effect of imports from China.

The increase in the subject imports has been spectacular over the period of investigation, rising by 161 percent from 2003 to 2005 and an additional 97 percent in the interim period. Indeed, the increase in imports between 2004 and 2005 alone was 173 percent.

Now, we realize that you as veteran ITC professional staff members have heard the term "spectacular increase" from Petitioners once or twice over the years, but really how would you characterize a 161 percent increase followed by an additional nearly doubling in volume in the most recent interim period?

Importantly, these increases were achieved in a market that as a whole increased by two percent in 2003 to 2005 and, as we said, even declined slightly in January-March 2006. What that means is that the rapid and sustained increase in unfair imports on an absolute basis is tracked by similar increases in market share for these imports.

As a percent of domestic consumption, imports from China's share increased from 7.3 percent in 2003, more than doubled to 18.7 percent in 2005 and then more than doubled again from roughly 12 to 24 percent of the market in the first quarter of 2006.

The increase in subject imports from China on a relative as well as absolute basis then has been significant. The current share that the unfair imports have achieved in the market, almost 24 percent, almost one-quarter of all consumption, is significant.

As for the price effects of imports, the Commission has recognized that in a commodity product such as PSF the only way for import sources to increase market share so rapidly as how has occurred here in rather dramatic fashion is by aggressive low pricing.

The full degree to which unfair imports from China have undersold comparable U.S. products and depressed or suppressed U.S. prices of course awaits the development of the record through the submission of questionnaires. However, there are already facts that indicate such underselling is likely to be widespread and deep.

For example, comparing average unit values of U.S. import statistics with those of U.S. producers shows AUVs of imports from China as consistently and substantially lower than those of U.S. producers during each year of the investigative period. Ominously, these margins of underselling have increased significantly in the latest interim period to 51 percent beneath U.S. AUVs.

In addition, the AUVs of subject imports were also lower than AUVs of all other import sources for each year in the period of investigation, as the Commission itself noted in its sunset determination that I quoted earlier.

Finally as to the price effect, Petitioners have provided 16 examples of lost sales to imports from the subject country by reason of price totaling a significant loss in value terms. A comparison of the quoted U.S. price and the import price from these lost sales examples reveals offers from Chinese sources of up to 22 percent beneath U.S. prices for the identical material.

Examples cited are predominantly -- these are examples in our lost sales exhibit -- for the high value PSF products on which the ITC has requested pricing data. Unfair imports from China thus are coming in and taking away the heart of the U.S. market.

These negative volume and price effects of the unfair imports have resulted in a significant negative impact on U.S. industry operations. The domestic PSF industry has been hammered in seriatim by unfair imports for almost a decade.

Having gotten Korea and Taiwan under order in 2000, domestic industry profitability, as you can see from the database, the public database of the sunset determination, domestic industry profitability was approaching break even in 2002 due to a drop in imports and a healthy upswing in the business cycle.

Then along came China, whose adverse volume and price effects we've been discussing. This has had an increasingly negative impact on the industry, an industry that has already been the victim of such negative impacts from a tag team of import sources.

When faced with a market onslaught of this magnitude, a domestic producer can choose to respond in one of two ways. It can attempt to meet the lower import prices, and typically these are translated in the market. These are prices quoted back to them by their customers. We will provide several examples of these pressure tactics by the customers to have our clients lower their prices in our brief.

Meeting import competition in terms of price may preserve the sale, that individual sale, and generally market share, but profitability suffers. Alternatively, the U.S. producers can maintain pricing at the risk of losing the sale.

This latter strategy may reduce the hit on profit margins in the short term, but is not a road map for long-term survival because maintaining price and letting customers go to import competitors if they wish reduces shipments, production, capacity utilization, eventually increasing unit cost and impacting profits in the longer run.

The U.S. industry, in its attempts to find a way to compete with China, tried both strategies as can be seen in the data. When imports from China made their latest big push into the U.S. market in 2005, U.S. producers to varying degrees sought to maintain prices. In fact, U.S. prices went up. Average unit values increased by 33 percent.

Indeed, in 2005 prices had to go up because raw material costs increased even more, by 46 percent on a unit basis. In 2005 then the industry did succeed entertaining a small 1.4 percent profit on sales as we calculate it, but it did so at the expense of allowing a 173 percent increase in imports from China in that one year and in the process ceding to Chinese suppliers nine points of market share. This is what the U.S. industry lost in 2005.

The first negative impact we want to emphasize to you then, and it is a whopper, is this nine point loss of market share in 2005. Quite a price to pay for a one and a half percent operating profit.

Your database will show that U.S. producers then, reeling from these developments in 2006, could not raise prices sufficiently, even though both unit raw material costs and total cost of goods sold continued to increase. The result was an immediate plunge back into the red in 2006 with the industry as a whole losing roughly two percent on sales.

In short, in the face of the huge increase in low prices of imports from China neither a price maintenance nor a market share strategy can succeed. Only a return to fair value pricing by Chinese import sources, something that we cannot depend on them doing on their own, will stabilize the market and allow the U.S. industry a chance for long-term survival.

The dramatic decline in U.S. industry

shipments and market share in 2005, followed by negative profitability in 2006, are accurate harbingers of the level and trend of other injury indicia that will be reported by U.S. producers to you on questionnaires.

The data the ITC is in the process of gathering will show capacity of the U.S. industry shrinking. The report will show examples of recent shutdowns of capacity by U.S. producers. As a whole, capacity utilization would never achieve an efficient or a profitable level, and it has declined to a period low of under 54 percent in this latest interim period.

As referenced above, trends in industry sales values have lagged cost increases throughout the POI as evidenced by high, unprofitable cost of goods sold sales ratios and unit costs exceeding average unit values.

Inventories have increased. Employment of production and related workers has declined from 2003 to 2005, as well as in interim 2006, and, as we have emphasized throughout, the industry will report negative operating profitability in all periods save 2005.

In conclusion, we hope the staff and the Commission will keep in mind that these uniformly inadequate levels and these declining trends were experienced within the context of a healthy market and as import volumes from Korea and Taiwan declined.

Thus, the problems of the industry can now clearly be laid at the door of the one market source that has increased volume and share to a prominent position in the period on the basis of the lowest prices of any supplier -- China.

Briefly in terms of threat factors, Petitioners wish to note the following: First, the imports from China both on an absolute and relative basis have registered rapid increases, attaining significant U.S. market share. In the threat context, this demonstrates the capability and the willingness of the Chinese to continue to export at injurious levels.

Second, central to the ability of the Chinese to export these large volumes is the low prices that they offer on their exports. Low prices at ever increasing volumes have the ability to continue to undersell and suppress or depress U.S. industry prices.

Third, there is a very large industry producing PSF already in China, as our petition cited an authoritative trade publication which compiled a list of well over 100 producers in the country. That list is in our petition with both current and projected capacity by producer.

That capacity total has increased substantially from 2003 and is projected to grow over the coming years. As it exists even today is more than sufficient to supply the entire U.S. market if left unchecked.

Fourth, capacity in China exceeds its home market demand, so a large volume of the material must be exported.

Finally, the European Union, the other major consuming region and potential outlet for Chinese exports, already has imposed dumping duties on the Chinese product as of 2005. These duties, reports the *Chinese People's Daily*, a newspaper, are "punitive" and "have deprived most of these firms of access to the European market." Hence, there is a heightened threat that those volumes will be deflected and indeed are being deflected as we speak to the United States.

All of these above factors indicate the ongoing threat of imports of PSF from China is both real and imminent.

Thank you very much. That mercifully concludes my presentation.

MR. ROSENTHAL: Before we answer questions I do want to introduce one other industry witness, and that's Ricky Lane from DAK Americas who's here to help answer any questions he might.

With that, we're ready to do what we can to answer your questions.

MR. CARPENTER: Thank you very much for your presentation. We will begin the staff's questions with Mr. Wise.

MR. WISE: Hello, and thank you for your presentation and coming today. I just had a few questions about production and shipments in the U.S. market.

With regard to 2004 being a peak in production and shipments, could you explain why it peaked in 2004 and then why did it decline, but over the period of investigation increase? Was this a result of the hurricanes or some other market condition?

MR. BERMISH: Well, the major reason why the shipments declined in 2005 was specifically because of imports. The hurricane had some effect toward the end of the year, but the major effect was the rapid rise, the significant rapid rise in Chinese imports in 2005.

MR. WISE: Okay. And that would be the same answer for consumption as well, consumption in the U.S.? U.S. shipments have decreased, though still rising over the POI because of imports?

Do you understand? I'm sorry.

MR. ROSENTHAL: It's a little hard to hear you.

MR. WISE: It appears that U.S. shipments have increased over the POI, but because of the peak in 2004 they're decreasing recently. This is the same reason? Imports are causing the decrease, not the hurricanes or production or supply issues within 2004?

MR. BERMISH: That's correct.

MR. WISE: Okay. The second issue I had, in the petition you stated that two specific companies were transferring locations into China from Korea and Taiwan.

Where did this information originate, and are there other identified firms that you can provide that are relocating to China specifically?

MS. CANNON: The information in the exhibit to our petition that sets forth all the Chinese producers lists those two producers, and we had other market intelligence in advance of receiving that that indicated that they had opened facilities in China, but it is documented in that exhibit setting forth what their capacity is in China and what the projects are.

MR. WISE: Okay. Through the investigation so far I've had some discussions with different individuals about the imports from China are actually made from a different waste stock than the regenerated product in the U.S.

You identified some saying, continuing on the same issue, they're completely competeable. However, could you describe the desirability of certain waste stocks? Is PET the desirable one?

Therefore, could you identify is there a cost associated with using a less desirable waste stock to produce PSF, or are they all the same?

MR. BERMISH: Well, it sort of depends. PET bottles, which is the one that I believe you're referring to in terms of what the Chinese are importing from the U.S., the prices tend to certainly vary.

The Chinese though have a pretty significant impact on the pricing of PET bottles in this country for recycled applications based on the amount of volume that they end up importing. They've become a significant factor in this marketplace.

It does play a role also in terms of the cost of what we refer to as postindustrial waste in that as the demand for PET bottles increases it tends to have a subsequent pull on or has a pull on the demand for the postindustrial waste simply because the prices of PET bottles go up and, therefore, you start looking for alternatives. In that sense, you know, the prices tend to relate.

Is that answering your question?

MR. WISE: I believe so. So PET would be the desirable one, PET bottles?

MR. BERMISH: Not necessarily.

MR. WISE: Not necessarily?

MR. BERMISH: Not necessarily.

MR. WISE: Does the recycling input or the feedstock that goes into the recycling create the color that you would see other than white? Another issue that came up seemed that vibrant colors are being imported into the U.S.

MR. BERMISH: Which colors? I'm sorry.

MR. WISE: There was salmon. There was bright blue, indigo. There was an issue brought that these should not be looked at as comparable to certain PSF. Is the color important?

MR. BERMISH: Remember, most or just about all of the certain polyester staple fiber goes for fibersil, which is basically hidden. You don't see the color.

Typically most of the color is a little bit off-white. It's not the white that you would see for the non-subject polyester staple fiber. Color really is not an issue simply because you just don't see it.

MR. WISE: Okay.

MR. ROSENTHAL: Just to follow up on that, Mr. Wise, in the Korea and Taiwan original investigation and to a lesser extent in the sunset review Respondents made similar arguments, to the extent I can discern what they're telling you -- they haven't made them publicly yet -- but the notion there is that somehow because the raw material inputs are different, come from waste versus virgin or a particular type of waste, that somehow the end product is not comparable.

I think we demonstrated very clearly in the original investigation with Korea and Taiwan and in the subsequent review that that is a bogus argument. What the customer cares about is the end product, not the raw material that goes into making that end product.

The products that come out of China are directly comparable with and compete directly against the products produced by the U.S. producers.

MR. WISE: My next question is regarding conjugate. Is the by-component production process the only way to make conjugate, or is there another method which creates the loft?

Another issue that was raised in my discussion with various people was that Chinese regenerated project is like conjugate, but not conjugate. It creates a superior loft.

MR. BERMISH: Wellman makes a non-conjugate fiber, a mechanically crimped fiber, made from recycled raw materials which has just about all the characteristics and competes directly with conjugate, and that is a similar product to what you're referring to with respect to the Chinese.

MR. WISE: Okay.

MR. BARFIELD: I'd like to add to that also. We produce in our production line true conjugate fiber, which is a co-polymer. It directly would compete with a mechanically crimped fiber such as Wellman produces.

The characteristics of the end product are virtually very similar or the same, and they're able to meet the customers' requirements. They are able to pretty much replicate what a true conjugate fiber is.

MR. WISE: Okay.

MR. ROSENTHAL: Mr. Wise, just let me add one other thing.

It sounds like some of the things you're hearing from the Respondents are repeating the confusion that was shown in the original investigation and again in the sunset review, confusion involving the raw material inputs versus the outputs.

You can have all sorts of different products or all sorts of different inputs, but it doesn't matter necessarily. It's not conjugate versus recycled or regenerated because the regenerated is the nature of the raw material that's going in versus the output, which is conjugate, versus mechanically crimped.

There was ultimately a rather painful set of questions and dialogue between the Commissioners and some of the importers at the hearing where they admitted in the sunset case that in fact they were confusing the difference between the output and the input, so it's very important to make sure that we're understanding the terms and not confusing the raw materials versus the finished product.

MR. WISE: Thank you.

I only had one more question. You indicated

-- I don't remember if it was Mr. Bermish -- that in attempting to raise prices you had discussions with your customers, and sometimes they failed.

Did you then keep your prices at the original level, or did that customer leave? What occurred after the price increase failed?

MR. BARFIELD: As we made a price increase announcement or attempted to raise the price customers would not accept these increases. They would ask us to match the low-priced import fiber.

In some cases they were virtually -- they would constantly give us the pricing from China and tell us that we would have to match that to keep the business.

In some cases they would actually just switch supply on us because they knew we could not match it, so virtually we would lose the business because we couldn't match the price.

MR. WISE: Okay. Thank you. Those are all the questions I have for now. Thank you for your answers.

MR. CARPENTER: Mr. St. Charles?

MR. ST. CHARLES: Good morning. I'm Charles St. Charles with the Office of the General Counsel. That means I'm the lawyer. I actually don't have any legal questions. Thank you for your discussion of the legal issues as you perceive them.

I did hear many references to the recent review of Taiwan and Korea and the original investigation. It is perhaps a legal issue that the record in that case will be a separate record from this case if there is testimony of importers that is not specific to Korea and Taiwan, but relates to the differences between the products that you referred to.

If there were 10 or 12 pages from the transcript, for instance, that you thought was relevant if you could clearly identify who the witnesses were, what their competence was and what the statement was, particularly those statements that it seemed the Commission ultimately relied upon, that would be useful because the fact that the Commission made the decision not on a slightly different legal standard, a very different legal standard, may or may not prove relevant here.

If your position is it's relevant please give us whatever was on the record publicly that we could rely on. That's my only request. Thank you.

MR. ROSENTHAL: Mr. St. Charles, we'll certainly do that. I'm wondering whether in addition in order to not bury the Commission in paper --

MR. ST. CHARLES: That's why I said 10 or 12 pages.

MR. ROSENTHAL: Would citations to certainly things like the Commission's determinations plus some transcript pages be something that would work?

MR. ST. CHARLES: We understand what we said. Yes, citing. Please don't resubmit our determination. We don't need to see that again.

My point is only I see a certain shorthand starting, and at the end of the day my fear is this record won't contain that which you're referring to, and I just would like all the loose ends tied up.

MR. ROSENTHAL: Understood. Thank you.

MR. ST. CHARLES: Yes. If that was the question, please don't bury us in paper.

MR. ROSENTHAL: Very good.

MR. ST. CHARLES: Thank you.

MR. CARPENTER: Having said that, of course you can feel free to cite to anything in the public record from the previous review, and that will be made part of the record of this investigation without incorporating major documents into this investigation.

Mr. Benedetto?

MR. BENEDETTO: This is John Benedetto. Thank you all for your testimony. If I ask any questions about any business confidential material, please indicate that and just follow up in your brief.

We asked for pricing data in the questionnaires, as I'm sure you all know, and I heard today the testimony of Mr. Bermish who said that virgin and regenerated are virtually the same. They compete in the market against each other.

We have two products that are virgin that are virtually identical to two other products that are regenerated, and I'm wondering if we ought to combine the data for those.

In other words, one product is a virgin polyester staple fiber, five to seven denier, solid and dry. Does that compete directly with 100 percent regenerated polyester staple fiber, five to seven denier, solid and dry? Would those two products compete directly with each other? Is it worth combining that data?

MS. CANNON: Yes. Let me just say what our position is, and then I'm happy for Mr. Bermish to supplement on the technical side of these two.

We in fact in the petition urge the Commission to do exactly that.

MR. BENEDETTO: Okay.

MS. CANNON: It has always been our position that the inputs are irrelevant and that the products do compete and that the pricing categories should be combined. In fact, in the original investigation of Korea and Taiwan they were.

The Respondents resisted that and urged you to separate them, so the Commission has historically done that and did separate them in the sunset review, but it is our position that there really is no justification to differentiate them for the reasons Mr. Bermish gave.

MR. BENEDETTO: Okay. So for the record you would support combining those two products, one and six and two and seven?

MS. CANNON: Correct. That's correct.

MR. BENEDETTO: Did you have any comments on that, Mr. Bermish?

MR. BERMISH: Nothing further to add.

MR. BENEDETTO: Okay. Just a couple of small issues, I think.

In terms of price, what effect does PSF being slick versus dry have? Is one more expensive than the other usually? Do different people purchase slick and dry?

MR. BARFIELD: I'm sorry. Scott Barfield. The slick versus dry, generally the dry carries a slight premium, marginally at best, because the dry market is smaller.

That way it costs more to produce, but generally customers are so sensitive to price they like for you to price them as close to each other as possible.

MR. BENEDETTO: Do some customers purchase both slick and dry?

MR. BARFIELD: Yes. Yes.

MR. BENEDETTO: So a customer could use slick or dry for the same application, or do they use them for --

MR. BARFIELD: Generally it's different applications.

MR. BENEDETTO: Generally different applications.

Does anyone else have anything to add to that?

(No response.)

MR. BENEDETTO: Similarly, what effect does the difference between hollow versus solid have on price? Does that affect price at all?

MR. BARFIELD: No.

MR. BENEDETTO: Are those the same purchasers for hollow and solid?

MR. BARFIELD: They are the same purchasers. Again, it's based on the application or what they're trying to achieve with the product. They can specify which fiber they need to achieve their goal in their product.

MR. BENEDETTO: Okay. There's been some discussion of raw material prices going up. Do you anticipate that they're going to continue to go up, that raw material costs are going to continue to go up?

MR. MCNAULL: Light sweet crude was $78 a barrel yesterday. It's very difficult to say. That's been one of the difficult things for our business is prognosticating or predicting what raw materials are going to do.

I will say, you know, the inputs for polyester are driven off refined products from crude oil streams so there's a lot of volatility, and it has been an issue for the industry. It's hard to say where it will go from here.

MR. BENEDETTO: Okay. Does anyone else have anything to add to that?

MR. BARFIELD: I'd like to further comment on that.

Our outlook for raw materials are definitely to remain on the high side. We really believe they'll continue to increase, especially in the short term.

MR. BENEDETTO: Thank you very much.

Has there been any problem? Mr. Magrath characterized the market as healthy. Has there been any problem of reduced demand from your U.S. customers moving offshore, moving their production offshore?

MR. MCNAULL: I think there's been a slight decrease in demand in the first quarter of 2006. I think, Pat, you referenced that in your opening statement.

I think that's more a function of the Federal Reserve raising interest rates and a slight cool down in the housing market, which in turn demand for furniture, furnishings, things like that, is off a bit.

It's a very robust market. I mean, as Pat had said, in 2005 we were at tremendous record levels and just a slight cooling in early 2006.

MR. MAGRATH: Fiberfill may be distinguished from other textiles and textile end markets like apparel that is declining as the end users move offshore.

The end uses for this product are, as has been on the record of all these cases and as we've said many times, tied to the housing market and home improvement and those kind of bedding products that go up along with the housing market. The housing market has been strong traditionally.

Also, the Magraths threw out all their feather pillows last year and replaced them with pillows filled with hypoallergenic polyfil from one of our clients, I believe, so that is also a factor in there.

They have healthy end markets, which of course makes the experience that they're going to report to you, financial and otherwise, it puts it in stark contrast.

MR. BENEDETTO: Mr. McNaull, during your testimony you referenced some problems with supply during the aftermath of the Katrina hurricane.

Do I understand your testimony correctly, and this may be a confidential question. You can answer it in the brief. You are not currently having any trouble supplying U.S. customers? Is that correct?

MR. MCNAULL: Yes, that's correct. I mean, there were surcharges announced in the industry publicly because of the hurricane issues and the increase in raw material costs, but we didn't put any of our customers in a position where we couldn't supply. Everything is basically back to normal today.

MR. BENEDETTO: And you anticipate things remaining normal? I know you're not a meteorologist, but --

MR. MCNAULL: Right. I would have given a couple of Category 5s.

Yes. We don't anticipate anything changing. We don't have issues with supplying our customers or getting raw materials throughout our operation.

MR. BENEDETTO: Does anyone else have anything? Is that the same experience for the rest of the industry?

MR. BERMISH: It's the same experience for Wellman as well.

MR. BARFIELD: And the same with Nan Ya.

MR. BENEDETTO: Okay. Mr. Magrath, you said in your testimony, and I may have misheard you, that our pricing products are high value products. Is that correct? Are these higher value products than other PSF products that are out there?

MR. CLARK: Start up times.

Mr. Barfield, you said that the line was shut down and you brought it back up. In general I wanted to take the shut down to the conjugate line or bring it back up from the time the decision is made until it's finished.

MR. BARFIELD: Generally shut down time and restart time is anywhere from 32 to 48 hours to get the line up and confirm the quality and uniformity of your production.

MR. CLARK: How long would it take to get back up to 100 percent production?

MR. BARFIELD: We could achieve that within two days or less.

MR. CLARK: Other than that, again, we just finished this review a few months ago, unless there's some other alignments in the industry. I haven't seen anything in any of the news about any other mergers or any new entrants. No new processes I assume.

(Nonverbal response.)

MR. CLARK: Okay. That's all the questions I have. Thanks.

MR. CARPENTER: Ms. Mazur?

MS. MAZUR: Thank you. Good morning to all who traveled here to be with us today. I always appreciate industry witnesses giving us direct testimony for the record. Just a few quick questions.

Mr. Barfield, I believe you mentioned something about Nan Ya having Chinese facilities or did I understand that correctly? What is it that you do there in China and is it related to certain PSF?

MR. BARFIELD: We are currently constructing a facility in China, but the purpose of that facility is dedicated to polyester filament yarn, which is not PSF, and we don't have production arrangement for that. So it's still the textile polyester product in the industry, but it's a different product entirely. It's a continuous filament production, so it's not related to PSF.

MS. MAZUR: Could you produce certain PSF on the machinery and equipment that you have there in China?

MR. BARFIELD: No. The machinery used to produce polyester filament yarn is completely different than producing PSF. It's an entire separate engineering design, equipment design, so there's no correlation between PSF and filament. It's a completely different process.

MS. MAZUR: Okay. Thank you. With respect to the world market we have heard that there is an order against Chinese certain PSF in the EU. What are other nonsubject markets in the world other than the EU for certain PSF? Major markets.

MS. CANNON: I'm sorry. You're asking what other markets are they sold into as a major market other than the EU?

MS. MAZUR: Yes.

MR. ROSENTHAL: For the Chinese.

MS. CANNON: For the Chinese?

MS. MAZUR: For the Chinese or what are the big world markets for certain PSF for anyone?

MR. BERMISH: Well, the only other market besides the European union and the United States is the Far East market. I'm not aware of any anti-dumping rulings against China in the Far East.

MS. MAZUR: Do you know anything about the markets in the Far East for certain PSF --

MR. BERMISH: Do I know anything about the market?

MS. MAZUR: -- in terms of demand?

MR. BERMISH: I know there's a huge over capacity because of China. China is by far the largest producer of polyester staple fiber in the world, let alone the Far East, and they have a tremendous amount of excess capacity in the Far East and they ship all over the place. A lot of capacity in other Far East countries have been shut down because of this excess capacity and low pricing associated with China.

MS. MAZUR: Do we have information on the record about world capacity and where China fits in in that?

MS. CANNON: We may be able to provide you with that. I think what we've submitted so far is simply the Chinese capacity, but we will look to see if some of the databases we have would have more information on world capacity and put that into our post-conference brief if we're able to locate that.

MS. MAZUR: That would be helpful. Thank you.

MR. MCNAULL: Just one point, one response to your original question. I think you had asked what regions of the world are consuming the subject material? The only thing I would say to that is I don't have the data at hand, but the United States consumer and the European consumer by far, many multiples higher level per capita capacity than any other region in the world, so those are the primary markets for the subject material.

MS. MAZUR: Okay. To the extent that you do have documentation that you could provide post-conference that would be helpful. I believe those are the only two questions I have. Again, thank you very much.

MR. CARPENTER: I have a couple questions that relate to the effect of nonsubject imports. Looking at the data from the staff report in the sunset review, which only go through the first three quarters of 2005, so I haven't seen complete 2005 data or the first quarter of 2006 yet, but it appeared to me that imports from China as you mentioned, Dr. Magrath, increased dramatically in 2005, increased by about 70 million pounds, but imports from other import sources decreased by about 56 million pounds whereas U.S. shipments decreased by only about 11 million pounds.

Just for the sake of argument I wonder if an argument could be made that the increase in imports from China largely replaced other imports as opposed to domestic production? Do you have any comments on that?

MR. MAGRATH: Well, as I emphasized in my testimony the full 2005, as I said the latest big push of Chinese imports in the market, our data on consumption for full year 2005 showed that the market share for U.S. producers went down nine percent and the market share for other imports including Korea and Taiwan went down two percent.

So that very significant increase in 2005 from China -- and the market was about stable or increased like one percent -- so that very large increase from China came primarily at the expense of U.S. producers.

MR. CARPENTER: Okay. So that sounds significantly different than the figures that we had in the staff report, so we'll have to see what the numbers look like when we get complete data for this particular case.

MR. BARFIELD: I'd like to make a comment to that also.

MR. CARPENTER: Sure.

MR. BARFIELD: I had indicated that we had shut down our production line in May of this year. Prior to shutting that line down we were only operating at 50 percent capacity. In 2005 third quarter that line got as low as 30 percent, so we were incurring the pressure from the Chinese imported fiber during that time until eventually it forced us to shut the line down entirely.

MR. CARPENTER: Yes.

MR. MCNAULL: Mr. Carpenter, I wanted to comment. I think that already a very egregious level of imports and it's an exponential accelerating trend as you went through the year. If you look at the first quarter of the 2006 data you'll see that trend. When you talk about 2005 as an aggregate year there's definitely a trend there where the rate of importation of Chinese goods is increasing month over month.

MR. CARPENTER: Okay. We'll look forward to seeing what the numbers show for the first quarter of 2006.

MR. BERMISH: Also for the record I stated in my testimony that Wellman shut down a good part of its Johnsonville facility in 2005. We removed -- and this is public information -- 80 million pounds out of a facility of 240 million pounds. 160 million pounds that are left as a direct result of the surge of imports.

MR. CARPENTER: Okay.

MR. MCNAULL: Yes. We also shut down our polykron facility. It happens to be in Mexico, but we plan our assets as a NAFTA base and it was a direct result of the importation pressure cause that we're discussing here.

MR. CARPENTER: Okay. Also, in reading through the report from the sunset review I noticed one -- this is only one purchaser, but one purchaser had made a comment that quality of the imports from China were somewhat below that from other countries and that may be totally isolated, but for the industry witnesses here I just wondered what your perceptions are in terms of the quality of the imports from China vis-à-vis U.S. production and other import sources.

MR. BARFIELD: I have personal experience dealing with customers running the imported Chinese fiber and their quality is very acceptable to meet their requirements. In a lot of cases it doesn't surpass our quality, but is able to give the customer the quality they need to achieve their product performance and their outlook.

So I have seen the Chinese fiber first hand and I've seen them make improvements to meet customers' request if there was an issue. So even China is responding to the customers on a customer base level to improve the fiber and make adjustment and they have accomplished that.

MR. CARPENTER: I believe I did see a reference also to the fact that the quality of the imports from China had improved over time. I just wondered if that was your -- it sounds like that's your perception, that if you look over the last few years that the quality has been improving?

MR. BARFIELD: That's correct.

MR. CARPENTER: Okay.

MR. MAGRATH: Mr. Carpenter, I know you asked this question to engender discussion, but if it's like this purchaser said the quality of imports from China are so low then why have they increased 161 percent over the POI and doubled their market share to 24 percent over the period? There must be a lot of people out there who want inferior quality PSF.

MR. CARPENTER: Right. Again, I don't want to make too much of that because China was not a subject country in that case and it could have been just an isolated comment and may have referred to quality a few years ago as opposed to recently.

MR. MAGRATH: It's been accepted in the marketplace for sure.

MR. MCNAULL: Yes. I mean, major home furnishing companies have shared with us that products that they can use from China now are meet their rigorous quality standards and are much improved over their experience from the past.

MR. CARPENTER: Okay. All right. Thank you.

Ms. Mazur?

MS. MAZUR: Thank you. I forgot one last question. In a preliminary review of the questionnaires that have been coming in particularly from the Chinese producers we're noticing that they're basically new entrants into the market in terms of their exports to the U.S. Do you know anything about how these Chinese producers have gotten into the U.S. market?

Has there been a push on a part of an association there to increase exports that you can talk about?

MR. MCNAULL: We spoke earlier. We can talk about the vast excess capacity that they put in compared to the demand that the world requires, but I don't have any specific details around associations or what their tactics or methodology of increasing their imports. I don't have any thoughts on that.

MR. BARFIELD: Again, I have a personal experience on that also and it's quite alarming when I meet with a customer that, some of these customers obviously buying directly from the company, the manufacturer, so obviously they made trips to China or vice-versa, the Chinese sends salespeople here to get on the ground level to meet one on one with the purchasing agents of these facilities.

So they have gotten extremely aggressive to find locations that you would think they wouldn't even find. If you would think of a program that you had that was a reasonably secure program in a relationship with your customer where they seek out and found them. So they have direct contact with China and the customers here in our market.

MR. LANE: I'd like to add to that as well -- Ricky Lane with DAK Americas -- is that during our inquiries as to trying to determine where Chinese prices are and other factors the worldwide web certainly is providing a lot of access at publicly listed very low pricing and capacity there.

So as far as the direct means and how they're doing it I'm not sure if there is an organization or what, which I heard in your question, but certainly the information is in a more public accessible point that many people can go and search and find. The prices are quoted very low and certainly they're going to pursue those lower prices.

MR. MCNAULL: I agree with Scott, and I didn't mention it earlier, but more and more of our customers are seeking out Chinese production directly now because of the stories and things they've heard around Chinese willingness to sell at extremely low price.

MR. BERMISH: What we do know is that the Chinese producers habitually talk among each other.

It's not the same sort of situations you have in western countries. So it is quite possible, although we don't know for certain that they may have said hey, the U.S. market looks like a ripe market to go to and let's go there.

As a result you've seen some pretty aggressive activities on the Chinese both in terms of volume and pricing.

MS. MAZUR: All right. Thank you very much. That's very helpful. If there's anything, again, that you can further elaborate on in your post-conference brief with respect to why we're seeing this recent push into the market by new Chinese producers.

It doesn't seem to be an existing supplier just increasing their exports, these are new entrants, so I would appreciate anything that you might have to offer in post-conference. Thank you.

MR. CARPENTER: Again, thank you very much, panel, for your presentation and your responses to our questions. We're moving right along here. At this point we'll take about a 10 minute break and then we'll begin with the Respondents' presentation.

MS. BECK: Mr. Carpenter, I'm sorry. Could I just add one point to your --

MR. CARPENTER: Sure.

MS. BECK: -- question about the effect of nonsubject imports? You had mentioned that in the sunset review the data was only available through the first three quarters of 2005. Just in pulling the data for full year 2005 I think what is extremely telling is that the nonsubject imports were down by only 20 million pounds whereas U.S. producer shipments were down by close to 100 million pounds.

So I think you'll see with the additional data for 2005, you'll see a difference from that record.

MR. CARPENTER: Ms. Beck, is that based on information within the petition or is that based on the questionnaires that we've obtained in this investigation?

MS. BECK: That is based on updated questionnaire responses that we have received to date --

MR. CARPENTER: I see. Okay.

MS. BECK: -- that have been received by the Commission.

MR. CARPENTER: Thank you very much. All right. We'll take a break at this point.

(Whereupon, a short recess was taken.)

MR. CARPENTER: Could we resume the

conference at this point, please?

Welcome, Mr. Marshak and Mr. Figueroa. Please proceed.

MR. MARSHAK: Good morning. As I discussed in my opening remarks, I'm going to be very brief, the Petitioners and other domestic producers have submitted their confidential responses to the Commission's domestic producers questionnaire. Whether the Commission here finds the domestic industry currently is experiencing material injury will be based in large part in the Commission's analysis of this data.

In evaluating whether the industry is injured we ask the Commission to follow its practice of concentrating on the industry's performance in the most recent full year period which is 2005. The fact that this industry apparently rebounded in 2005 from its relatively poor performance for 2004 in our opinion constitutes evidence that there is no current injury.

For example when you look at the Commission's staff report in the sunset review the unit values from January to September 2005 were 68 cents a pound compared to a high of 54 cents a pound in 2004. So January to September 2005 were the highest prices in the 21st Century.

Also the ratio of inventories to production and shipments in January to September 2005 were the lowest in the past five years. The unit labor costs were the same in January to September 2005 as in 2003 and similar to costs in the 21st Century. Net sales value increased steadily.

It was higher in January to September 2005 than in prior years. Perhaps most importantly the industry's operating income is a percentage of net sales. The industry was profitable at a 3.7 percent rate in January to September 2005 and this was the first time in history it was profitable in the 21st Century.

For this reasons the firms with operating losses -- there was only one firm with an operating loss in January to September of 2005. Again, that was the lowest in the 21st Century. These trends if they continue for the remainder of 2005 should be sufficient for the Commission to conclude that the industry is not currently injured.

However, even if the Commission finds that there is present injury the same facts when analyzed in conjunction with the significant increase in Chinese exports in this year reveals this injury is not by reason of allegedly less than fair value sales. There's no question that Chinese exports have increased dramatically in 2005 from prior years.

You look at Petitioners' Injury Exhibit No. 2 and they present a dramatic increase. In 2003 and 2004 there were approximately 74 million pounds or 71 million pounds of PSF imported from China, so there was a flat import supply in those two years. In 2005 Chinese exports took off.

There were 194 million pounds exported to the United States. Those Chinese imports in that year more than doubled as compared to the first two years of the Commission's POI when import levels were flat. In many cases such a dramatic increase in imports would constitute a clear indicia of injury. In the instant case this increase leads to the opposite conclusion.

In the same period as Chinese imports increased the domestic industry had its most profitable year in the 21st Century. The direct correlation between increased imports and favorable industry performance affectively establishes that subject imports could not have contributed to the material injury which this industry may have been experiencing.

Also significant is the fact that these Chinese imports largely supplanted declining imports from Korea and Taiwan. Thus Chinese imports in large measure merely maintained traditional import market share. As Petitioners' Injury Exhibit No. 2 reveals the average unit values of the Chinese imports was at a higher level in 2005 and the first quarter 2006 than in the corresponding periods in 2003 and 2004.

Thus increased Chinese imports have not been in injurious prices. It also is noteworthy that certain domestic producers are themselves importers of PSF. Thus the existence of imports per se does not itself constitute injury to U.S. producers. Assuming the Commission determines that there is no present injury or no causation it will then consider threat.

Here, too, the fact that there was no correlation between increased Chinese exports and industry performance is significant. Query if the 2005 increase did not lead to injury then there is no reason to predict that future imports will lead to future injury.

Petitioners posit that Chinese exporters have substantially increased capacity in order to increase their shipments to the United States. We agree capacity obviously has increased, but much of the capacity already has come on stream without causing present injury. Chinese producers correctly project that market demand will increase significantly within China in the next several years.

The Chinese economy as we all know is growing and demand by Chinese manufacturers for PSF to fill furniture, sleeping bags, comforters, pillows and cushions made in China will increase in sufficient quantities to justify the Chinese decision to expand their capacity. In short we believe the Commission should vote to end this proceeding at this time.

On behalf of Chinese Respondents we again thank the Commission for providing us with the opportunity to discuss the reasons why we believe there is no reasonable indication of material injury or threat. We will happy to answer any questions the Commission and staff may have or to attempt to get information from the clients in China.

Again, but please remember in the preliminary determination it's a very short period of time for us to prepare and it often is difficult to obtain these significant information you would need or that you may be able to obtain in a final investigation, but we will do our best. Thank you.

MR. CARPENTER: Thank you, Mr. Marshak.

Begin the questions with Mr. Wise.

MR. WISE: Thank you for attending and presenting here. I just have three questions. The first one having to do with two of your clients. I have not been served with their questionnaires with respect to Xiamen Xianglu and Jiaxing Fuda Chemical Fiber Companies. When will those be provided?

MR. MARSHAK: We will get an email out as soon as this hearing is over and we'll get back to you on that.

MR. WISE: Okay. Thank you. I appreciate that. The second question has to do with the PCI report submitted by the Petitioners. It presents historical and forecasted figures of capacity for individual Chinese companies. Could you comment on (1) the reliability nature of these, and to what degree can you separate certain polyester from all of polyester?

MR. MARSHAK: I'm going to have to give you the same answer. You know, once again, we're new to this. We are going to get back to our clients as soon as the hearing is over and again try our best to get you this information. We know it's a very, very short period of time for a preliminary determination. Petitioners have been in this for years and we just got started, but we will try our best to answer these questions.

MR. WISE: I appreciate that. And my final question has to do with the currency and valuation. The yuan has strengthened 3.4 percent from January 1, 2003, to July 12, 2006. How has this affected the prices of Chinese exports to the U.S. in respect is this the increase in average unit value just a mirroring of this increase in currency valuation or is it other?

MR. MARSHAK: That's a complex question which will be in our answer, hopefully will be in our post-hearing brief.

MR. WISE: Okay. Thank you. I have no other questions.

MR. MARSHAK: Thank you.

MR. CARPENTER: Mr. St. Charles?

MR. ST. CHARLES: I do thank you for coming to testify today and I have no questions.

MR. MARSHAK: Thank you.

MR. CARPENTER: Mr. Benedetto?

MR. BENEDETTO: John Benedetto. Thank you for coming today. I want to ask you the same question I asked the first panel about the pricing products which is do you think that virgin and regenerated PSF compete in the market, and so that therefore I could combine the data for products one and six and the data for products two and seven?

MR. MARSHAK: Once again, we will get back to our clients and try to answer that in our brief.

MR. BENEDETTO: Okay. Thank you. No further questions.

MR. MARSHAK: Thank you.

MR. CARPENTER: Mr. Yost?

MR. YOST: Again, along with my colleagues thank you very much for coming today, and I have no further questions.

MR. MARSHAK: Thank you.

MR. CARPENTER: Mr. Clark?

MR. CLARK: I have no questions.

MR. MARSHAK: Thank you.

MR. CARPENTER: Ms. Mazur?

MS. MAZUR: Thank you for coming as well. You spoke about your client's indication that there will be significant market growth in China.

To the extent to which you can document any of those assertions with respect to Chinese capacity and home market shipments because we're only going to be getting a slice of the Chinese industry in terms of the questionnaire data, so if we're not going to be able to rely on information from the PCI report if that's what you suggest is there something that your clients have that would provide this kind of information in terms of market trends and growth and in what areas?

MR. MARSHAK: Again, we understand the necessity for the staff to have documents to prove what are clients or to confirm what are clients are telling us. Again, it's very hard in the preliminary determination. We will try our best.

We hope not to see you back here for a final because we hope to win now and we hope to win at the Department of Commerce, but if we can't get you the information now worst case scenario we definitely will have the information several months from now.

MS. MAZUR: Whatever you can do. Anecdotal information would be fine if that's all that's available, but again, whatever you can do would be appreciated.

MR. MARSHAK: Thank you.

MS. MAZUR: Thank you.

MR. CARPENTER: Again, thank you, Mr. Marshak. At this point we'll take just a short break, maybe about five minutes, to allow counsel from both sides to prepare their rebuttal on closing statements beginning with the Petitioners. Thank you.

(Whereupon, a short recess was taken.)

MR. CARPENTER: Okay. Mr. Rosenthal, please proceed whenever you're ready.

MR. ROSENTHAL: Thank you, Mr. Carpenter. I just have a few brief comments in response to Mr. Marshak, and I recognize he is in a difficult position and appreciate him showing up and making the arguments that are available to him. Unfortunately he does not have access to the data that will form the basis of the record and the arguments he has made have been on limited data and are simply incorrect.

He claims that the industry rebounded in 2005. That's his term, "rebounded". Well, take a look at the industry performance in 2005. It lost market shares as testified by Dr. Magrath dramatically, over nine percent, and the meager profit it was able to eek out in 2005 were something in the neighborhood of less than two percent. I think it was 1.4 percent for the year.

That was the first profitable year of course in several. Hardly a rebound. Of course as you heard as testified to by our witnesses they were able to eek out that profit by simply deciding that they could not afford to compete with the Chinese prices in certain accounts and thereby ceding sales and ceding market share, the result being reduced capacity utilization and the ultimate shut down of facilities.

Not exactly my definition of a rebound. He cites as another example of the so-called rebound in 2005 the higher prices, higher values that the industry was able to achieve. Yes, prices were up. So were raw material costs as you heard extensively discussed by our witnesses.

Again, rising raw material costs have been a persistent problem with this industry. The fact that the industry was able to eek out a modest profit in 2005 despite these raw material costs is not exactly cause for celebration because as we saw they did that at the expense of market share, lower or declining capacity utilization and ultimately that strategy could not be sustained as we saw in the first quarter of 2006.

Mr. Marshak also said arguing from the sunset report whose data really ended after three quarters of 2005, his words were these trends if they continue. Well, they didn't continue. The trends weren't great to begin with and to the extent that he could discern a positive trend in the first three quarters of 2005, they did not continue through full year 2005.

As we said profitability was abysmal, market share was abysmal, virtually every indicator that the Commission looked at in 2005 was terrible and things simply got worse in 2006. So the trends that Mr. Marshak was hoping were there were not and the result is an industry that has been injured in 2005, and suffering further injury in 2006 and facing a rather bleak future because of the issues we talked about earlier.

That is the excess Chinese capacity far outstripping Chinese demand and in fact every report one can find will suggest that is the case. Just to respond to a question by Ms. Mazur, it is sometimes hard to separate out the subject merchandise capacity figures and demand figures from other polyester products, and so that is one of the things that we have to do our best to work with because not all the sources separate certain PSF from other types of polyester products.

Every available source does indicate excess capacity such that there is no other place for the production to go other than outside of China. As we've heard earlier with the EC as the other major market being closed that leaves the U.S. We've already seen the affects of that increase year over year, dramatic increases of imports from China, and virtual devastation in the U.S. market.

There is no question that this case argues for an affirmative determination and we hope that the Commission will issue that not just preliminarily, but when we get to the final as well. Thank you.

MR. CARPENTER: Thank you, Mr. Rosenthal.

Mr. Marshak?

MR. MARSHAK: Again, on behalf of Chinese Respondents I thank you, again, for allowing us to present our case. I just want to make two very simple points.

One, maybe I'm being too simplistic, but if the domestic industry has its best performance in a year when there's the largest Chinese import penetration it seems that there's no direct correlation between Chinese imports and the performance of the industry. If there's no direct correlation there shouldn't be material injury.

Second, on threat I know we're going to try to document this, but there is no question that the Chinese economy is growing, that demand in China for this product is increasing and that you're going to see a lot more cushions, and furniture and sleeping bags produced in China and used in China as the Chinese market increases, and as the Chinese economy grows and the Chinese consumers get the same advantages as the United States consumers get.

Thank you very much.

MR. CARPENTER: Thank you, Mr. Marshak.

On behalf of the Commission and the staff I want to thank the witnesses who came here today as well as counsel for sharing their insights with us and helping us develop the record of this investigation. Before concluding let me mention a few dates to keep in mind.

The deadline for both the submission of corrections to the transcript and for briefs in the investigation is Wednesday, July 19. If briefs contain business proprietary information a public version is due July 20. The Commission has tentatively scheduled its vote on the investigation for August 7 at 11:00 a.m. and will report its determination to the Secretary of Commerce later that day.

Commissioners' opinions will be transmitted to Commerce on August 14. Thank you for coming. This conference is adjourned.

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(Whereupon, at 11:34 a.m., the preliminary conference in the above-entitled matter was concluded.)

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CERTIFICATION OF TRANSCRIPTION

TITLE: Certain Polyester Staple Fiber from China

INVESTIGATION NO.: 731-TA-1104 (Preliminary)

HEARING DATE: July 14, 2006

LOCATION: Washington, D.C.

NATURE OF HEARING: Preliminary conference

I hereby certify that the foregoing/attached transcript is a true, correct and complete record of the above-referenced proceeding(s) of the U.S. International Trade Commission.

DATE: 7/14/06

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I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceeding(s) of the U.S. International Trade Commission, against the aforementioned Court Reporter's notes and recordings, for accuracy in transcription in the spelling, hyphenation, punctuation and speaker-identification, and did not make any changes of a substantive nature. The foregoing/attached transcript is a true, correct and complete transcription of the proceeding(s).

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